

School for Traders & Investors

Thirteenth Lesson

Points on Office Trading

STOCK speculation is commonly understood to mean buying or selling in the hope of profiting from a subsequent change of price. Few people, comparatively speaking, seem to realize that speculative commitments are made in two ways which differ, *inter se*, radically, and that the difference between them needs to be emphasized to the fullest extent, if satisfactory results are to be hoped for. The point of view, and the *modus operandi*, appropriate to the one method are, in point of fact, distinct in almost all respects from those that apply to the other.

A good deal of unnecessary loss is occasioned by failure to see this. The great majority of office habitués seem quite unaware that there is even the possibility of so differentiating their operations, much less do they realize that "trading" ideas and methods are, in reality, much less allied to speculation in a broad sense than is ordinary speculation akin to investment.

All traders are speculators; but only a small percentage of speculators are really "traders" at all. These articles are confined exclusively to the consideration of that special department of speculation which may be termed Office-Trading, i.e., to those in-and-out operations which would seem to be the logical occupation of those who spend the market day at their brokers' offices, presumably for the purpose of observing price fluctuations in their technical aspects.

Considered from this point of view, the term speculation might well be restricted to those operations which are based upon investment considerations, and differ from investment principally in the sense that profit is expected from substantial price changes. Stocks are bought because they are "cheap," i.e., selling below value, present or prospective, and vice versa. In most cases they are relatively deliberate operations.

The element of time required is not considered a vital matter, and the minor fluctuations of price, which may intervene before an expected move is completed are considered as merely incidental and measurably disregarded.

Office-trading is the opposite in nearly every respect. It means buying or selling for the purpose of obtaining an average profit from a relatively large number of separate (more or less temporary) commitments based upon the expectation of immediate (relatively small) price-changes. The element of time in which these changes of price occur is important, also their sequence, and they are re-

garded from the standpoint of their manipulative origin or as the result of momentary variations of supply and demand. The choice of stocks is considered chiefly in regard to their technical suitability for trading.

The speculator, consequently, undertakes operations involving more or less considerable risks of temporary loss, and hopes that no change in fundamental conditions may occur while he is waiting for his anticipations to materialize. If they do, or if his original judgment was wrong, he is obliged to take a relatively large loss. The result is that, even if generally successful, he does not usually secure a very large percentage of profit on average, in spite of the fact that he occasionally may make a "killing."

The trader takes no such chances. He limits his risk on each transaction, and acts on the assumption that if a trade does not make good as and when expected, he will take a small loss, every time, in preference to a large risk.

It will be seen that the office trader is concerned almost entirely with matters affecting price-making in their technical sense. His aim is to forecast the direction in which prices will move next, and he is very little interested in the reasons why, although he will not deliberately ig-

nore indications of forthcoming changes.

It is a matter of common knowledge that the out-of-town trader, so called, is apt to succeed better on the whole than the office trader. This is chiefly due to the fact that the out-of-town trader is a speculator who is forced by his conditions to speculate along more or less sensible speculative lines, and is not distracted by numerous matters that only concern the office trader. On the other hand, the few office traders who do succeed can show results far exceeding any that are within the reach of out-of-town speculating.

The possibilities of office trading are so great that it is not surprising that a large number of men spend every business day in their brokers' offices, with the intention of "making a business of it." I do not think the usual ill-success of these people can be attributed altogether to lack of intelligence or disinclination to work, although this last is unquestionably a very prevalent complaint. More of them would succeed if the real nature of office trading were better understood and its technique studied from the proper angle. In most cases they seem to be trying to combine two incompatible things, and made trading commitments based on speculative reasoning.

Office Trading As a Business

IT is absurd to adopt any career without first counting the cost. A man proposing to engage in any ordinary business for himself necessarily considers his circumstances, weighs his chances of success, and takes into consideration what return he may expect if he be reasonably successful. It does not seem to be generally realized that such determination can be made in regard to office trading.

As a matter of fact, however, it is probably easier to do so than it is in the case of most businesses. The stock trader does not have to consider the matter of competition. He can do as much or as little business as his circumstances warrant, and at such times as suit his convenience, and his results will be limited only in proportion to his skill. Stock trading is a highly specialized, technical business. As in all such, the results depend considerably upon the personal aptitude of the trader and the thoroughness of his training.

Office trading as a business offers one advantage which is unique—if the trader is obliged to stop trading temporarily he will find the market and its opportunities there and unimpaired when he returns, and he will lose nothing but time while unemployed. Moreover, it is perfectly easy to engage in it to the exact degree warranted by the extent of his available funds. He can enlarge or diminish the scale of his operations as and when he will. As a money-making pursuit it is, *potentially*, the most profitable there is. Almost every trader laughs at the idea of a fractional profit. So far is this from being the true way of looking at the matter that a trader has really "arrived" when he can average not less than $\frac{1}{2}$ of a point a day net profit. Upon this basis, and assuming forty weeks as a season's work, this represents at least 100 per cent on the amount of capital which such a trader should ordinarily find sufficient.

Traders are subject to the same con-
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THE MAGAZINE OF WALL STREET

Mr. President

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THE MAGAZINE OF WALL STREET

42 Broadway

New York

THE WEST PENN COMPANY

New York, N. Y., August 23, 1923.

The Board of Directors of The West Penn Company has declared quarterly dividend No. 3 of fifty cents per share, payable upon the common capital stock of the Company on September 29, 1923, to stockholders of record at the close of business on September 15, 1923.

C. C. McBRIDE, Treasurer.

CANADIAN PACIFIC RAILWAY COMPANY DIVIDEND NO. 100

At a Meeting of Directors held August 13th a Dividend of Two and one-half per cent, on the Common Stock for the quarter ended 30th June last, from Railway Revenues and Special Income, was declared payable 1st October next to shareholders of record at 3 p. m. on the 31st August next. By order of the Board.

ERNEST ALEXANDER, Secretary.
Montreal, August 13th, 1923.

NOTICE OF DIVIDEND CRANE CO. CHICAGO, ILLINOIS

August 14th, 1923.

The Board of Directors has this day declared a quarterly dividend of One Per Cent (1%) on the Common Stock, and One and three-quarters Per Cent (1 3/4%) on the Preferred Stock, payable September 15, 1923, to Stockholders of record at the close of business September 1, 1923.

H. P. BISHOP, Secretary.

THE BORDEN COMPANY

Preferred Stock Dividend No. 87

The regular quarterly dividend of 1 1/4% has been declared on the preferred stock of this Company, payable September 15, 1923, to stockholders of record September 1st. Books do not close. Checks mailed.

SHEPARD RARESHIDE, Treasurer.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

138th Dividend.

The regular quarterly dividend of Two Dollars and twenty-five cents per share will be paid on Monday, October 15, 1923, to stockholders of record at the close of business on Thursday, September 20, 1923.

H. BLAIR-SMITH, Treasurer.

TEXAS GULF SULPHUR COMPANY

A quarterly distribution of \$1.50 per share has been declared by the Board of Directors payable on September 15, 1923, to stockholders of record at the close of business on September 1, 1923.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

to a shut-down of a mine. They were offered 45c. an hour for manufacturing work, paying 17c. an hour ten years ago, and with chance for early advance. "Nothing doing, we have been receiving \$12.00 per day for eight hours." This is only one instance of many.

Bricklayers, carpenters, plumbers, machinists, railroad workers and so on, they are all getting wages undreamed-of ten years ago, *high* wages, and yet there is no contentment, and there will not be as long as more can be secured. All this is well known but somehow is seemingly not generally realized.

In the writer's humble opinion, the remedy lies in education, not in the ordinary sense of schooling except as applied to the children. A large percentage of those employed in coal mining, for example, are foreigners who a short time back were glad to get black bread to eat in Poland, Russia, and elsewhere, and we are glad to say live here in comfort beyond their greatest dreams in the old countries; yet they are not satisfied. Why? In all industries it is the same more or less.

These men know practically nothing of our institutions, our ideals. When they can read, their reading is confined to foreign-language papers, which are almost without exception hostile to our institutions and their limited knowledge is warped to such an extent as to be dangerous to the future welfare of the nation. It is not only the foreigners, but many Americans as well who work side by side with them, that are amazingly and dangerously ignorant of the things they should know, to be good citizens or even a dweller in this country. Little attention is paid to their enlightenment, other than by agitators. They act as best they can, not knowing what it means in the end.

Somehow the rudiments of simple economics must be instilled into these men, so they may be able to reason a little for themselves.

The word economics has an awesome sound, and to most of us it has been something theoretical, perhaps mildly important and yet of little practical everyday use. Something for college professors to talk about. Yet the rudiments of the science that treats of the production and distribution of wealth and our national institutions offers the remedy needed, if this knowledge is given to those who cannot get it otherwise and grope in the dark. What we need most is light.

We all need more knowledge of the whys and wherefores of our national life, and need to vote (which few do at all) for the benefit of the nation, for a farmer-labor bloc, let-the-rest-sink-or-swim.

If some big leaders of thought and men would undertake the task of getting real American thought, ideals and morality into the minds of the "Sore Labor, Sore Farmer and Afraid Business Man" (and the last two need some education too), and if publishers and writers would take the constructive side, quitting the sentimental, sensational sympathy articles, which only create discontent and breed disaster, it would help.

As individuals of the best place to live

on earth, we need a spanking, all of us, for being selfish, envious, greedy and unappreciative to our God, for that which we have.

We have abundance to eat and good clothes to wear, own 85% of the automobiles in the world or on the average one for every eight people. Ours is the wealthiest nation in the world; most of which is possessed by the ordinary citizen. The wages are the highest in the world. The farmers for the most part own their farms, have good crops, have most of the conveniences of city life, live better and prosper more than any other farmers in the world. We have liberty and the right to make our own laws to suit the majority.

For the love of reason, what is it we want, must we argue, wrangle, strike, riot and get "sore" among ourselves and spoil what we have by selfishness and ingratitude?

Let us have discontent that leads to laudable ambition, but not this bitter, small wrangling on dividing the spoils.

What we have is the best in the world, why not appreciate it before it is taken away from us.

L. F. V.

SCHOOL FOR TRADERS AND INVESTORS

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ditions as obtain in other lines of business. There have to be fat years and lean years. It is absolutely necessary to be able to survive the lean times. Many businesses fail for lack of capital. In the case of stock traders the position is difficult in one respect. They cannot raise capital in the way ordinary business men can. They must be their own bankers. Few traders allow themselves enough capital, and they confuse their trading funds with their personal monies. In any other line such a course is well understood to be a fatal error.

It seems to be the fact that most traders have to pass through a period of discouragement and loss which is ended more or less suddenly, by their "finding themselves." At that point they begin to make money, and if they adhere to their methods they are likely to progress fairly steadily to a point which is their limit. This phenomenon is a matter of common observation in regard to most business men. I have observed it in the case of stock traders on many occasions.

How long should it take a man of intelligence to discover if he possesses the necessary aptitude for stock trading, and how much money should his education cost him? I have been asked this question frequently, have given the matter considerable thought, and have watched the career of numerous traders. I have come across those who seemed to grasp the principles without much trouble, but who failed miserably when it became a matter of actual trading. They found it impossible to follow a method methodically. My belief is that the principles of trading are really by no means difficult to understand, but that only those who can train themselves to have no feelings, no hopes nor fears, and to follow a defi-